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April 14, 2017

Via ECFS

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket Nos. 16-143, 15-247, 05-25, RM-10593

Dear Ms. Dortch:

On April 12, 2017, Saikat Sen of AT&T, on behalf of the Price Cap Industry Forum ("PCIF"), emailed Pamela Arluk of the Wireline Competition Bureau with a list of technical questions and requests for clarification regarding the application of the price cap reforms proposed in the draft Business Data Services Report and Order.[1] A copy of that email correspondence is attached.[2] In addition, on April 13, 2017, Mr. Sen held a follow-up telephone conference with Dick Kwiatkowski to discuss those questions, and Mr. Sen and Mr. Kwiatkowski had a subsequent telephone conversation with Gary Kepley of Centurylink and Maureen Keenan representing Verizon on these issues.

Pursuant to section 1.1206 of the Commission's rules, this *ex parte* notification is being filed electronically for inclusion in the record of the above-referenced proceeding. If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,
/s/ Caroline Van Wie

cc: Pamela Arluk
Dick Kwiatkowski

[1] *Business Data Services in an Internet Protocol Environment et al.*, Report and Order (Draft), WC Docket No. 16-143 et al. (rel. Mar. 30, 2017) ("*Draft Order*").
[2] The attached list has been revised reflect the group's conversation with Mr. Kwiatkowski. Those revisions are highlighted in yellow.

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From:	SEN, SAIKAT
Sent:	Wednesday, April 12, 2017 5:50 PM
To:	Pamela Arluk (Pamela.Arluk@fcc.gov)
Cc:	'Kepley, Gary L'; Keenan, Maureen (maureen.keenan@verizon.com)
Subject:	List of BDS Implementation Issues That Requires Clarification/Confirmation
Attachments:	4-12-17_ Final_List of BDS clarification issues for the FCC.docx

Pam:
PCIF members from AT&T, Century-Link, and Verizon have met and prepared the attached list of BDS implementation issues for your review. Hope this is helpful. It is my understanding that you and your staff was expecting such a document. Please let me know if you have any questions. We are thinking of sharing this list with the broader group to start them thinking. Thanks.

Saikat Sen

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BDS Implementation Issues That Requires Clarification: Revised List After 4-13-2017 Discussion with Dick Kwiatkowski.

PCI:

PCIs are unaffected by Base Period Demand (BPD). They move based purely on GDPPI, X and Z. Let's assume there are no Z. At the annual filing, we will have used 4Q15-4Q16 GDPPI and an X equal to it to develop a PCI for 1July (which will be unchanged from the PCI for 30June). This PCI will be in effect from July 1 to November 30, 2017.

For December 1, a new 2% X-Factor kicks in to replace the X-Factor assumed in the annual filing. As a result, a new PCI has to be calculated and compared to APIs that will be in place for the next 7 months – December 1, 2017 through June 30, 2018. This new PCI will reflect the difference between the X-Factor assumed in the annual filing (=GDPPI) and X-Factor to be used for the December 1 filing (= 2.0%). The following example may clarify this issue:

- Assuming 4Q15-4Q16 GDPPI to be 1.6%
- Then assumed X-Factor for the July 1, 2017 Annual Filing would be 1.6%
- The new X-Factor for the December 1, 2017 filing to be 2.0%
- As a result, the new PCI for the December 1, 2017 filing would be 0.4% lower (= 1.6 - 2.0) than the one used in the July 1, 2017 annual filing.

API:

API's are sensitive to (Base Period Demand) BPD. The BPDs for each service are used to weight the price changes of each service to determine an API for comparison to the PCI. We would use, calendar year 2016 (1Q16-4Q16) BPD to develop appropriate APIs. Plans are to take the indices as they exist on 7/1/2017 and move those into the new price cap models then adjust the base period demand, which will reduce the revenue under price cap, since indices are kept at the same level any headroom that exist after 7/1/2017 will also be adjusted by the change in base period demand. So if a company had 0.001 difference between their PCI and their API that would be maintained in the new model, but the revenue difference would reduce with the reduction in the demand/revenue that is now under price cap causing the headroom to also drop.

> "*To ease the burden on the industry, and because base period demand and the value of GDP-PI reflected in the price cap indices typically are not updated during a tariff year, we permit incumbent LECs to use the same base period demand and value of GDP-PI in their December 1, 2017 filings as in their July 1, 2017 annual filings.*" Para 247

Other Issues:

1. Definition of "transport" – current special access view is POP Chan Term and all other, which equates to transport. Will the same definition be applicable? All carriers are expected to use "Transport" as defined in **Part 69.801, which is consistent with the current definition.**

2. Detariffing – do we only remove services in competitive areas (end user channel terminations for competitive areas and all transport) from tariff after 18 months? With this tariff work and the work to build new Tariff Review Plan models, would it make sense to allow companies to combine tariffs and to consolidate rates, on a revenue neutral methodology. For CenturyLink we have 8 tariffs with 42 TRPs it would be nice to get down to only one tariff and only one set of rates across all of CenturyLink. This might be a good time to start that movement.

3. What do the Price Cap ILECs do with the services and regions that are deemed competitive, must they maintain a service guide with the Terms and conditions and the current rates for those services? **Part 69.807**

4. We would like to confirm that the order applies to all services in the special access basket (see proposed CFR 61.201 and 69.801 ("all other tariffed special access services"))?

Also, per paragraph 157 it would be "transport services pursuant to Section 69.704(4), DS1 and DS3 enduser channel termination **and any other tariffed special access services in competitive counties**…"

5. What happens with circuits that go between Competitive and Non-Competitive counties?

6. We seek clarification on whether price cap carriers have to file in their tariffs contracts subject to 69.807 that cover non-competitive areas after mandatory detariffing takes effect.

7. How do these rule changes impact state tariffs and services in states that do not mirror interstate tariffs? NO IMPACT UNLESS STATE TAKES ACTION

8. RETAINED LOW-END ADJUSTMENT. "We therefore retain the low-end adjustment mechanism. Accordingly we set the low-end adjustment mark at 8.75 percent." **Para 239-241** *Doesn't seemed to be applicable to most price cap carriers as underlying data to calculate rate-of-return aren't available with the elimination of Part 32 accounting rules*. **Para 69.807** allows for companies to use Generally Accepted Accounting Principles rather than the Part 32 Uniform System of Accounts pursuant to § 32.11(g) but without guidelines or instructions on what should be included in the rate-of-return calculations this would be difficult. Like price cap local exchange carrier or any affiliate of any price cap local exchange carrier that had obtained Phase II pricing flexibility any price cap local exchange carrier or affiliate that has exercised the option to use GAAP rather than Part 32 accounting shall be prohibited from making any low-end adjustment pursuant to Part 69.45(d)(1)(vii).

9. What happens with price flex end user channel terminations that fall in non-competitive counties do they move back in with the price cap channel terminations and we bill the same rate for both? Can the special access price flex section be removed from the tariff?

Para 125 However, we also consider the importance of minimizing regulatory disruption. In particular, we seek to be conservative in deregulation and reregulation, and we specifically decline to re- regulate counties that were previously granted Phase II pricing flexibility.

Needed Tariff Review Plan (TRP) Changes

1. The current Tariff Review Plan Model will work as it is today without any changes but if changes are desired we would recommend the following:
   - Remove the Interexchange Basket from the Analyzer, IND-1, PCI-1, SUM-1, EXG-1 and RTE-1 forms.
   - The RTE-1 form will only reflect the End User Channel Termination usage and rates for all Price Cap TDM services. With the movement of the competitive markets out of the model there may be zones with no demand or revenue.